

Message Text

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TO USMISSION EC BRUSSELS IMMEDIATE

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C O N F I D E N T I A L STATE 245944

STADIS////////////////////////////////////

E.O. 11652: GDS

TAGS: ETRD, EC

SUBJECT: U.S. PROPOSAL TO SOLVE EC CANNED HAM DISPUTE

U.S. MISSION EC BRUSSELS - EYES ONLY FOR AMBASSADOR

GREENWALD

U.S. MISSION OECD PARIS - EYES ONLY FOR ASSISTANT SECRETARY
ENDERS

1. FOLLOWING IS TEXT OF TWO BRIEFING PAPERS AMBASSADOR
DENT IS CARRYING WITH HIM FOR USE IN BRUSSELS. STR STAFF
HAS SUGGESTED AMBASSADOR DENT MIGHT WISH GIVE SECOND PAPER
TO EC OFFICIALS. WHILE PAPERS FOLLOW GENERALLY AGREED
INTERAGENCY POSITION THIS MATTER, THEY DO NOT HAVE STATE
CLEARANCE AND CONTAIN SPECIFICS TO WHICH WE OBJECT. COM-
MENTS FOLLOW SEPTEL.
BEGIN TEXT PAPER 1. IT IS PROPOSED THAT COUNTERVAILING
DUTIES BE WAIVED ON CANNED HAM AND SHOULDER IMPORTS FROM
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THE EUROPEAN ECONOMIC COMMUNITY, IN ACCORDANCE WITH SECTION

303(D) (2) OF THE TRADE ACT OF 1974. THE CONDITIONS UNDER WHICH THE WAIVER IS GRANTED SHALL BE COMMUNICATED TO THE EC IN THE FOLLOWING MANNER:

1. RESTITUTIONS ON EXPORTS OF CANNED HAMS AND CANNED SHOULDERS HAVE BEEN GRADUALLY REDUCED BY THE COMMUNITY IN RECENT YEARS. A CONTINUATION OF THESE TIMELY AND SYSTEMATIC REDUCTIONS WILL MEET THE REQUIREMENTS OF OUR TRADE ACT THAT ADEQUATE STEPS BE TAKEN QUOTE TO REDUCE SUBSTANTIALLY OR ELIMINATE ... THE ADVERSE EFFECT OF A BOUNTY OF GRANT. END QUOTE.

A. SHORT TERM - THE MOST RECENT REDUCTION OF UNITS OF ACCOUNT TOOK PLACE IN NOVEMBER 1974. WE WILL CONSTRUE THE IMMEDIATE REQUIREMENTS OF SECTION 303 (D) (2) (A) OF THE TRADE ACT AS HAVING BEEN MET BY A FURTHER REDUCTION OF AT LEAST 20 PERCENT IN THE AMOUNT OF THE RESTITUTION WITHIN THE NEXT 12 MONTHS. THIS MAY BE ACCOMPLISHED BY REMOVAL OF PREFIXATION OR REDUCTION OF RESTITUTION WITHIN SIX MONTHS.

B. LONG TERM- I.E. DURATION OF THE WAIVER PERIOD - THE ECONOMIC SITUATION OF THE U.S. SWINE INDUSTRY WILL BE REAPPRAISED IN THE FALL OF 1976, AND AT LEAST ANNUALLY DURING THE REMAINDER OF THE WAIVER PERIOD. (SEE FOOTNOTE) THE EC WILL BE INFORMED ON A TIMELY BASIS AS TO WHAT FURTHER REDUCTIONS, IF ANY, SHALL BE NECESSARY TO MEET THE REQUIREMENTS OF SECTION 303 (D) (2) (A) OF THE TRADE ACT. IN MAKING THIS DETERMINATION THE U.S. GOVERNMENT WILL BE GUIDED BY SUCH FACTORS AS: (1) IMPORT PENETRATION OF THE U.S. MARKET BY CANNED HAMS AND SHOULDERS FROM THE EC; (2) THE SHARE OF THE U.S. MARKET HELD BY THE EC BOTH AS A PERCENT OF THE WHOLE AND AS COMPARED TO OTHER NATIONS (POLAND, E.G.); (3) TRENDS IN U.S. CONSUMPTION OF PORK PRODUCTS IN GENERAL, AND CANNED HAMS AND SHOULDERS IN PARTICULAR; (4) CHANGES IN THE PROFITABILITY OF THE U.S. HOG INDUSTRY, AND (5) ANY OTHER ELEMENTS RELEVANT TO THE DECISION MAKING PROCESS.

2. SECTION 303 (D) (2) (B) OF THE TRADE ACT REQUIRES AS
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A CONDITION FOR EXERCISE OF THE WAIVER OF COUNTERVAILING DUTIES THAT THERE BE QUOTE A REASONABLE PROSPECT END QUOTE FOR THE NEGOTIATION OF TRADE AGREEMENTS PROVIDING FOR THE REDUCTION OR ELIMINATION OF QUOTE DISTORTIONS END QUOTE OF INTERNATIONAL TRADE SUCH AS SUBSIDIZATION. THIS ELEMENT OF THE WAIVER MUST, OF COURSE, BE EVALUATED ON A CONTINUAL BASIS.

3. DURING THE WAIVER PERIOD, THE EC WILL BE EXPECTED NOT

(FOOTNOTE) ASIDE FROM THE ANNUAL EVALUATIONS, A REAPPRAISAL AND REQUEST FOR FURTHER DOWNWARD ADJUSTMENT IN RESTITUTION PAYMENTS CAN BE EXPECTED TO TAKE PLACE WHENEVER THE HOG-CORN RATIO (I.E. THE RELATIONSHIP OF THE PRICE OF HOGS TO THE PRICE OF CORN) FALLS BELOW 15 TO 1.

TO CARRY OUT QUOTE AGGRESSIVE END QUOTE MARKETING PRACTICES IN THE U.S.

4. SO LONG AS THE CONDITIONS OF SUBSECTIONS (1), (2), AND (3) ABOVE ARE MET, THE U.S. WILL CONSIDER THE IMPOSITION OF COUNTERVAILING DUTIES AS BEING QUOTE LIKELY TO SERIOUSLY JEOPARDIZE THE SATISFACTORY COMPLETION END QUOTE OF THE MTN. THIS WILL MEET THE REQUIREMENTS OF SECTION 303 (D) (2) (C) OF THE TRADE ACT, THE FINAL CONDITION FOR GRANTING OF A WAIVER. END TEXT PAPER 1.

BEGIN TEXT PAPER 2. THE FOLLOWING ARE THE CONDITIONS UNDER WHICH COUNTERVAILING DUTIES ON CANNED HAMS AND SHOULDER IMPORTS FROM THE EUROPEAN COMMUNITY COULD BE WAIVED:

1) WE WILL CONSTRUE THE IMMEDIATE TRADE ACT REQUIREMENT THAT ADEQUATE STEPS BE TAKEN QUOTE TO REDUCE SUBSTANTIALLY OR ELIMINATE THE ADVERSE EFFECT OF A BOUNTY OR GRANT END QUOTE AS HAVING BEEN MET BY A FURTHER REDUCTION OF 20 PERCENT WITHIN THE NEXT 12 MONTHS IN THE RESTITUTION AVAILABLE ON CANNED HAMS AND SHOULDERS OF EC ORIGIN, ENTERING THE U.S. MARKET. THIS MAY BE ACCOMPLISHED BY REMOVAL OF PREFIXATION OR REDUCTION OF RESTITUTIONS WITHIN 6 MONTHS.

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2) DURING THE WAIVER PERIOD THE EC WILL BE INFORMED ON A TIMELY BASIS WHAT FURTHER REDUCTION IN RESTITUTIONS, IF ANY, WILL BE NECESSARY. IN MAKING THIS DETERMINATION THE U.S. GOVERNMENT WILL CONSIDER THE FOLLOWING FACTORS:

- A. IMPORT PENETRATION OF THE U.S. MARKET BY CANNED HAMS AND SHOULDERS FROM THE EC.
- B. THE SHARE OF THE MARKET HELD BY THE EC, BOTH AS A PERCENTAGE OF THE WHOLE AND AS COMPARED TO OTHER SUPPLIERS.
- C. TRENDS IN U.S. CONSUMPTION OF PORK PRODUCTS IN GENERAL, AND CANNED HAM AND SHOULDERS IN PARTICULAR.

- D. CHANGES IN PROFITABILITY OF THE U.S. HOG INDUSTRY.

- E. ANY OTHER RELEVANT FACTORS.

THE ECONOMIC SITUATION OF THE U.S. SWINE INDUSTRY WILL BE APPRAISED IN THE FALL OF 1976, AND AT LEAST ANNUALLY DURING THE REMAINDER OF THE WAIVER PERIOD. ASIDE FROM THE ANNUAL EVALUATION, A REAPPRAISAL AND REQUEST FOR

FURTHER DOWNWARD ADJUSTMENT IN RESTITUTION PAYMENTS CAN BE EXPECTED TO TAKE PLACE WHENEVER THE HOG-CORN RAT(I.E. THE RELATIONSHIP OF THE PRICE OF HOGS TO THE PRICE OF CORN) FALLS BELOW 15 TO 1.

3) DURING THE WAIVER PERIOD WE WILL BE REQUIRED BY THE TRADE ACT TO CONTINUALLY ASSESS WHETHER QUOTE A REASONABLE PROSPECT END QUOTE EXISTS FOR THE NEGOTIATION OF TRADE AGREEMENTS QUOTE PROVIDING FOR THE REDUCTION OR ELIMINATION OF BARRIERS TO OR OTHER DISTORTIONS (INCLUDING SUBSIDIES) OF INTERNATIONAL TRADE. END QUOTE.

4) DURING THE WAIVER PERIOD THE EC WILL BE EXPECTED NOT TO CARRY OUT QUOTE AGGRESSIVE END QUOTE MARKETING PRACTICES WITH RESPECT TO CANNED HAMS AND SHOULDERS IN THE U.S.

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5) SO LONG AS THE CONDITIONS IN PARAGRAPHS 1,2,3, AND 4 ABOVE ARE MET, THE U.S. WILL CONSIDER THAT THE IMPOSITION OF COUNTERVAILING DUTIES ON CANNED HAMS AND SHOULDERS OF EC ORIGIN WOULD BE QUOTE LIKELY TO SERIOUSLY JEOPARDIZE THE SATISFACTORY COMPLETION END QUOTE OF THE MTN. END TEXT PAPER 2. KISSINGER

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